

Message Text

LIMITED OFFICIAL USE

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01
STR-07 TRSE-00 CEA-01 SS-15 AF-10 ARA-10 EA-10
EUR-12 /140 W

-----089515 191106Z /16

P 191012Z JUL 78

FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2255
INFO AMEMBASSY DACCA
AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 11082

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD COMMODITIES: JUTE

REF: (A) STATE 178714, (B) STREEB/ADAIR TELCON

1. AS REPORTED IN REF (B) BANGLADESH REP (AHMED) MADE A RATHER STRONG INTERVENTION AT THE JULY 11 SESSION OF THE AD HOC INTERGOVERNMENTAL COMMITTEE WHICH IN ESSENCE AMOUNTED TO A REJECTION OF THE EC PROPOSAL. IN THE AFTERNOON AHMED RETURNED AND ASKED USDEL IF INDEED IT WAS THE IMPRESSION OF THE MEETING THAT HE HAD REJECTED THE EC PROPOSAL. WHEN HE DISCOVERED THAT THIS WAS THE CASE HE TOOK THE FLOOR AND RETRACTED HIS STATEMENT INSISTING THAT HE HAD BEEN REFERRING TO A MUCH EARLIER PROPOSAL PUT FORWARD BY A UK INDUSTRY REP. AHMED'S REMARKS WERE OFF THE CUFF AND NO PREPARED STATEMENT IS AVAILABLE SO THE FOLLOWING IS BASED UPON A RESTRUCTURING OF USDEL'S NOTES TAKEN DURING AHMED'S INITIAL INTERVENTION.

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2. REGARDING STABILIZATION, BANGLADESH DOES NOT UNDERSTAND WHY THE PREPARATORY MEETING IS NOT CONSIDERING A FULL-BLOWN BUFFER STOCK SYSTEM. THIS IS THE ONLY WAY TO GO ALL OUT AND SOLVE THE PROBLEM OF JUTE. BANGLADESH HAS BEEN OPERATING AN INFORMAL STABILIZATION ARRANGEMENT ITSELF FOR MANY YEARS AT GREAT COST. IT IS BANGLADESH'S OPINION THAT CONSUMERS HAVE IN FACT AGREED TO RECONSIDER WHETHER OR NOT

A FULL BUFFER STOCK SYSTEM IS NOT PREFERABLE. COMMENT:
WE HAVE NO IDEA WHERE AHMED WOULD HAVE GOTTEN SUCH AN IM-
PRESSION. END COMMENT. AS TO THE COVERAGE FOR JUTE GOODS
IN ANY JUTE ARRANGEMENT THERE HAS BEEN PRACTICALLY NO PRO-
GRESS. ONE CANNOT, HOWEVER, ATTACK THE PROBLEM FROM ONE
SIDE SINCE IT LEAVES ABOUT 70 PERCENT OF THE PROBLEM
UNATTENDED TO. BANGLADESH THEREFORE WANTS A FULL BUFFER
STOCK MECHANISM WHICH COVERS JUTE GOODS AS WELL. BANGLA-
DESH DOES NOT THEREFORE SEE MUCH MERIT IN THE EC PROPOSAL.

3. AS TO THE ORGANIZATIONAL STRUCTURE OF AN INTERNATIONAL
JUTE ARRANGEMENT, THERE MUST BE A MORE PRECISE VIEW DE-
VELOPED ON THIS ASPECT BUT BANGLADESH HAS NOTHING PAR-
TICULAR TO PROPOSE AT THIS TIME.

4. AS FOR COST REDUCTION, BANGLADESH BELIEVES THAT JUTE
CANNOT DEVELOP A COMPETITIVE ADVANTAGE WITHOUT COST RE-
DUCTION AND FOR THIS THERE IS A NEED FOR A LARGER INTER-
NATIONAL ROLE REGARDING BOTH COORDINATION OF COST RE-
DUCTION PROJECTS AND FINANCING. REGARDING COMPETITION
WITH SYNTHETICS A CHANGE IN ATTITUDE ON ISSUE OF
HARMONIZATION IS REQUIRED ON THE PART OF CONSUMERS. PRICE
COMPETITION AGAINST SYNTHETICS IS GROSSLY UNFAIR SINCE
SYNTHETIC MANUFACTURERS SELL BELOW COST AND WRITE THESE
LOSSES OFF AGAINST PROFITS IN OTHER PRODUCT LINES.

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5. THE SUBSTANCE OF THE AFTERNOON RETRACTION WAS THAT
EC PROPOSAL COULD CERTAINLY FORM A BASIS BUT NOT THE ONLY
BASIS UPON WHICH TO BUILD AN INTERNATIONAL JUTE AGREEMENT.
ON ALL OF THESE POINTS THE BANGLADESH INTERVENTION RE-
CEIVED BROAD SUPPORT FROM INDIA.

6. THE FOLLOWING IS THE TEXT OF THE G-77 STATEMENT ON
JUTE: "AS REGARDS JUTE, PROTRACTED NEGOTIATIONS OVER
FOUR PREPARATORY MEETINGS HAVE NOT YET BROUGHT US TO THE
NEGOTIATING PHASE. WE NOTE THAT THERE SEEMS TO BE A
GENERAL CONSENSUS TO HAVE STABILIZATION MEASURES FOR RAW
JUTE, THOUGH DETAILS HAVE YET TO BE WORKED OUT. HOWEVER,
WE MUST EXPRESS CONCERN THAT STABILIZATION MEASURES FOR
JUTE PRODUCTS ARE NOT BEING AGREED TO, EVEN THOUGH THE
NEED FOR SUCH MEASURES HAS BEEN ESTABLISHED AND THE JUTE
PRODUCTS ARE SPECIFICALLY INCLUDED IN THE COMMODITY
COVERAGE OF RESOLUTION 93(IV) INsofar AS OTHER MEASURES
ARE CONCERNED THERE IS CONSENSUS ON RESEARCH AND DEVELOP-
MENT, MARKET PROMOTION, ETC., BUT WITH REGARD TO COST
REDUCTION, VIEWS WERE EXPRESSED THAT THE PROPOSED JUTE
AGREEMENT SHOULD HAVE THE ROLE OF EVALUATION AND CO-
ORDINATION ONLY. ANOTHER IMPORTANT AREA--HARMONIZATION OF

PRODUCTION OF SYNTHETICS AND SUBSTITUTES WITH SUPPLY OF JUTE GOODS--IS NOT BEING CONSIDERED AT ALL DESPITE THE SPECIFIC PROVISION IN PARA 2(I) OF SECTION III OF RESOLUTION 93(IV)."

7. MISSION HAS RECEIVED DRAFT COPY OF AN UNCTAD CONSULTANT'S STUDY ON THE QUESTION OF STABILIZATION OF INTERNAL RAW JUTE MARKETS AND THE EFFECT OF PRICE STABILITY FOR JUTE GOODS BASED UPON A CASE STUDY OF INDIA. SINCE THERE IS INSUFFICIENT TIME TO FORWARD THIS STUDY TO WASHINGTON, USDEL TO NEXT WEEK'S MEETING WILL HAVE TO EXAMINE IT UPON ARRIVAL. COPIES WILL BE FORWARDED BOTH TO AMEMBASSY NEW DELHI AND AMEMBASSY DACCA. OBVIOUSLY LITTLE SUBSTANTIVE COMMENT CAN BE EXPECTED SINCE DOCUMENT LIMITED OFFICIAL USE

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LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 11082

WILL NOT OFFICIALLY BE AVAILABLE UNTIL NEXT WEEK. MISSION OFFICER IS BEING BRIEFED LATER TODAY BY MEETING CHAIRMAN MARTIN OF UK ON RESULTS OF EC COORDINATING MEETING ON JULY 17. PRELIMINARY INDICATIONS FROM LOCAL FRG REP IS THAT FRG CONTINUES TO PUSH FOR A VERY MODEST DIRECT CON-

TRIBUTION TO BANGLADESH GOVERNMENT FOR USE BY BANGLADESH
JUTE CORPORATION AS IT SEES FIT. THERE ARE APPARENTLY
HOWEVER STILL WIDE DIFFERENCES OF OPINION AMONG THE EC
MEMBERS AND FRG INDICATES THAT IT ANTICIPATES GREAT DIF-
FICULTIES WITH EC COORDINATION NEXT WEEK.
VANDEN HEUVEL

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